

Demir Kyrgyz International Bank CJSC

Financial Statements
and Independent Auditor's Report
for the year ended 31 December 2018

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Independent Auditors' Report

To the Shareholders of Demir Kyrgyz International Bank CJSC

Opinion

We have audited the financial statements of Demir Kyrgyz International Bank CJSC (the Bank), which comprise the statement of financial position as at 31 December 2018, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the requirements prescribed in the Regulations on minimum requirements to external audit of banks and other financial and credit institutions, licensed by the National Bank of Kyrgyz Republic (NBKR) approved by the Order No. 2017-П-12/25-2 of the NBKR Management Board on 15 June 2017. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Kyrgyz Republic, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Bank as at and for the year ended 31 December 2017 were audited by other auditor who expressed an unmodified opinion on those statements on 5 March 2018.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional NBKR requirements will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs and the additional NBKR requirements, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:


- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



The engagement partner on the audit resulting in this independent auditors' report is:


Sergey Mesheryakov
Attorney


KPMG Bishkek LLC

14 March 2019



Demir Kyrgyz International Bank CJSC
Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2018

(in thousands of Kyrgyz Som)

	Notes	Year ended 31 December 2018	Year ended 31 December 2017*
Interest income calculated using the effective interest rate method	6	1,184,205	946,071
Interest expense	6	(231,590)	(255,815)
Net interest income before impairment losses on interest-bearing assets	6	952,615	690,256
Impairment recovery on interest-bearing assets	7	8,539	59,314
Net interest income		961,154	749,570
Fee and commission income	10	431,903	346,069
Fee and commission expense	10	(198,051)	(141,849)
Net fee and commission income		233,852	204,220
Net foreign exchange gain	11	200,822	139,324
Other operating income		8,948	13,169
Operating income		1,404,776	1,106,283
Impairment recovery/(losses) on other financial assets	8	941	(929)
Impairment recovery on other non-financial assets	8	4,134	13,936
Impairment recovery on loan commitments and financial guarantees	9	3,193	948
Personnel expenses	12	(455,549)	(405,419)
Other operating expenses	13	(421,385)	(406,450)
Profit before income tax		536,110	308,369
Income tax expense	14	(57,362)	(21,698)
Profit for the year		478,748	286,671
Other comprehensive income, net of income tax			
Items that are or may be reclassified subsequently to profit or loss:			
Movement in fair value reserve (available for sale financial assets):		(32)	(535)
Total comprehensive income for the year		478,716	286,136
Earnings per share:			
Basic and diluted earnings per share, in KGS	24	798	478

* The Bank has initially applied IFRS 9 and IFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated (see Note 5). As result of adoption of IFRS 9 the Bank changed presentation of certain captions, comparative information is re-presented accordingly (see Note 3(p))

On behalf of the Management

Mr. Sevki Sarilar
General Manager

14 March 2019
Bishkek, Kyrgyz Republic



Mrs. Zulfiya Djakipova
Chief Accountant

14 March 2019
Bishkek, Kyrgyz Republic

The notes on pages 11-82 form an integral part of these financial statements.

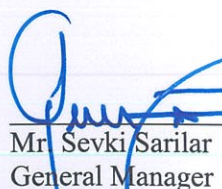
Demir Kyrgyz International Bank CJSC
Statement of Financial Position as at 31 December 2018

(in thousands of Kyrgyz Som)

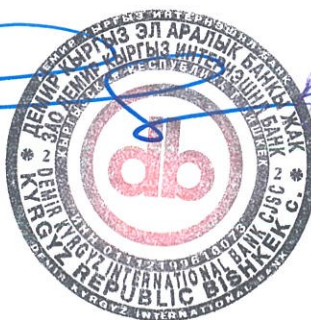
	Notes	31 December 2018	31 December 2017*
ASSETS			
Cash and cash equivalents	15	8,304,884	7,302,507
Loans and advances to banks	16	2,127,426	2,803,819
Loans to customers		8,127,260	6,746,063
- Loans to corporate customers	17	6,465,401	5,094,059
- Loans to retail customers	17	1,661,859	1,652,004
Investment securities	18	244,561	63,568
Property, equipment and intangible assets	19	386,931	383,011
Other assets	20	706,899	562,859
Total assets		19,897,961	17,861,827
LIABILITIES			
Due to banks		38,701	10,792
Current accounts and deposits from customers		16,725,821	15,445,794
- Current accounts and deposits from corporate customers	21	6,892,031	6,318,650
- Current accounts and deposits from retail customers	21	9,833,790	9,127,144
Other borrowed funds	22	588,634	370,991
Other liabilities	23	225,308	166,840
Total liabilities		17,578,464	15,994,417
EQUITY			
Share capital	24	600,000	500,000
Share premium		1	1
Revaluation reserve for financial instruments at fair value through other comprehensive income		91	55
Retained earnings	24	1,719,405	1,367,354
Total equity		2,319,497	1,867,410
Total liabilities and equity		19,897,961	17,861,827

*The Bank has initially applied IFRS 9 and IFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated (see Note 5). As result of adoption of IFRS 9 the Bank changed presentation of certain captions, comparative information is re-presented accordingly (see Note 3(p))

On behalf of the Management:


Mr. Sevki Sarilar
General Manager

14 March 2019
Bishkek, Kyrgyz Republic




Mrs. Zulfiya Djakipova
Chief Accountant

14 March 2019
Bishkek, Kyrgyz Republic

Demir Kyrgyz International Bank CJSC
Statement of Cash Flows for the year ended 31 December 2018

(in thousands of Kyrgyz Som)

	Year ended 31 December 2018	Year ended 31 December 2017*
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	1,161,115	947,892
Interest payments	(219,824)	(249,342)
Fee and commission receipts	427,863	346,069
Fee and commission payments	(198,051)	(141,849)
Net receipts from foreign exchange	205,803	142,597
Other receipts	9,701	13,169
Personnel expenses	(421,061)	(434,903)
Other operating expenses	(326,775)	(260,780)
Cash inflow from operating activities before changes in operating assets and liabilities	638,771	362,853
<i>(Increase)/decrease in operating assets</i>		
Loans and advances to banks	621,199	383,969
Loans to customers	(1,391,156)	(1,269,511)
Other assets	(63,864)	26,561
<i>Increase/(decrease) in operating liabilities</i>		
Due to banks	27,822	(551)
Current accounts and deposits from customers	1,381,945	1,800,605
Other liabilities	(10,365)	23,822
Net cash from operating activities before income tax paid	1,204,352	1,327,748
Income tax paid	(38,696)	(23,381)
Net cash inflow from operating activities after taxation	1,165,656	1,304,367
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investment securities	(242,583)	(23,169)
Repayment of investment securities	60,578	115,310
Purchases of property and equipment and intangible assets	(171,005)	(83,255)
Sales of property and equipment and intangible assets	(91)	1,349
Net cash (used in)/from investing activities	(353,101)	10,235

Demir Kyrgyz International Bank CJSC
Statement of Cash Flows for the year ended 31 December 2018 (continued)


(in thousands of Kyrgyz Som)

	Year ended 31 December 2018	Year ended 31 December 2017*
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts of borrowed funds	418,979	6,278
Repayments of borrowed funds	(201,162)	(129,180)
Dividends paid	-	(205,755)
Net cash from/(used in) from financing activities	217,817	(328,657)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,030,372	985,945
Effect of changes in exchange rates on cash and cash equivalents	(31,571)	(57,094)
CASH AND CASH EQUIVALENTS as at the beginning of the year	7,302,507	6,373,656
Effect of changes in ECL on cash and cash equivalents	3,576	-
CASH AND CASH EQUIVALENTS as at the end of the year	8,304,884	7,302,507

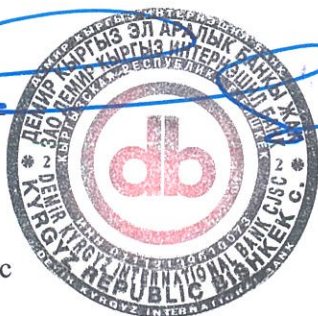
*The Bank has initially applied IFRS 9 and IFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated (see Note 5). As result of adoption of IFRS 9 the Bank changed presentation of certain captions, comparative information is re-presented accordingly (see Note 3(p))

During 2018 and 2017, the Bank has made certain non-cash transfers in respect to recognition of the property pledged as collateral for loans to customers as foreclosed property within other assets in the amount of KGS 68,720 thousand and KGS 157,311 thousand respectively (Note 17).

On behalf of the Management:


Mr. Sevki Sarilar
General Manager

14 March 2019
Bishkek, Kyrgyz Republic




Mrs. Zulfya Djakipova
Chief Accountant

14 March 2019
Bishkek, Kyrgyz Republic

Demir Kyrgyz International Bank CJSC
Statement of Changes in Equity for the year ended 31 December 2018

(in thousands of Kyrgyz Som)

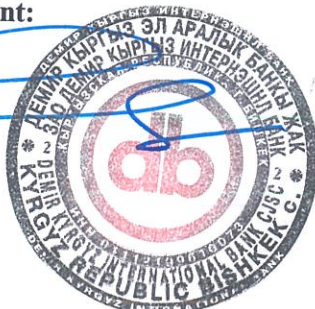
	Notes	Share capital	Share premium	Revaluation reserve for financial instruments at fair value through other comprehensive income	Retained earnings	Total equity
Balance as at 1 January 2017		400,000	1	590	1,386,438	1,787,029
Profit for the year		-	-	-	286,671	286,671
Other comprehensive income		-	-	(535)	-	(535)
Total comprehensive income for the year		-	-	(535)	286,671	286,136
Dividends paid		-	-	-	(205,755)	(205,755)
Shares issue		100,000	-	-	(100,000)	-
Balance as at 31 December 2017	24	500,000	1	55	1,367,354	1,867,410
Adjustment on initial application of IFRS 9, net of tax*		-	-	68	(26,697)	(26,629)
Balance as at 1 January 2018		500,000	1	123	1,340,657	1,840,781
Profit for the year		-	-	-	478,748	478,748
Other comprehensive income		-	-	(32)	-	(32)
Total comprehensive income for the year		-	-	(32)	478,748	478,716
Shares issued	24	100,000	-	-	(100,000)	-
Balance as at 31 December 2018		600,000	1	91	1,719,405	2,319,497

*The Bank has initially applied IFRS 9 and IFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated (see Note 5). As result of adoption of IFRS 9 the Bank changed presentation of certain captions, comparative information is re-presented accordingly (see Note 3(p)).

On behalf of the Management:

Mr. Sevki Sarilar
General Manager

14 March 2019
Bishkek, Kyrgyz Republic



Mrs. Zulfiya Djakipova
Chief Accountant

14 March 2019
Bishkek, Kyrgyz Republic

The notes on pages 11-82 form an integral part of these financial statements.